

MINUTES

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY BOARD OF DIRECTORS MEETING - LOAN BUSINESS

February 25, 2003 - 11:00 A.M.

**8th & Main Building, 3rd Floor Conference Room
Richmond, Virginia**

- I. Voting members present: Esther Corpus, Hattie Hamlin, Larry Roach, Joe Underwood, and Bob Young (for Jody Wagner).
Others present: Chuck Mills, Mike Eisenman, Scott Parsons, Anna Mackley Cobb, Patty Thorne, Brett Sheffield, Mark Heede, and Barbara Carter.

The meeting was called to order by Vice Chairman Larry Roach.

- II. Approval of Minutes - On a motion by Bob Young, seconded by Hattie Hamlin, the minutes of the December 17, 2002 Board of Directors - Loan Business Meeting were unanimously approved.

III. Economic Development Loan Fund Application

- A. Pittsylvania County IDA (Intertape Polymer Group) - Pittsylvania County - \$1,600,000. Anna Mackley Cobb presented this loan request to the Board. On a motion by Joe Underwood, seconded by Bob Young, the Board of Directors unanimously approved a \$1,600,000 5-year loan through the Economic Development Loan Fund to finance the construction of a new facility to be leased to Intertape Polymer Group, Inc. for use as a distribution center.

IV. Economic Development Loan Fund and Loan Guaranty Program Application

- A. Virginia Brands, LLC - Halifax County - \$553,500. Brett Sheffield presented this loan request to the Board. On a motion by Joe Underwood, seconded by Bob Young, the Board of Directors unanimously approved a \$478,500 5-year loan through the Economic Development Loan Fund to assist the company in financing the purchase of machinery for the manufacture and production of cigarettes and unanimously approved a 75% guaranty of a \$100,000 line of credit to be extended by American National Bank.

V. Modification to Economic Development Loan Fund Agreements

- A. Riverfront Development, LLC - Amendment to Board Approval. Mark Heede presented to the Board of Directors a brief review of this loan and several requests from the Borrower and Guarantors to amend the conditions of the original approval. The requests and Board actions follow:
- 1) On a motion by Bob Young, seconded by Hattie Hamlin, the Board of Directors unanimously approved the extension of the loan maturity to be 5-years from date of closing and not date of commitment.
 - 2) On a motion by Bob Young, seconded by Esther Corpus, the Board of Directors unanimously approved as presented the shared interest in the lien on the equipment with HUD.
 - 3) On a motion by Joe Underwood, seconded by Bob Young, the Board of Directors unanimously approved the timing of advances on the VSBFA note with the condition that the owners' cash equity injection be put in an escrow account under the control of the Borrower's closing attorney before VSBFA funding.
 - 4) A motion was made by Joe Underwood, and seconded by Bob Young, to maintain the personal guarantees joint and several as originally approved. Voting aye: Mr. Underwood and Mr. Young. Voting nay: Mr. Roach, Ms. Hamlin, and Ms. Corpus. Motion did not carry. A second motion was made by Hattie Hamlin, and seconded by Esther Corpus, to require the full joint and several guaranties of the owners during the construction period and until the occupancy permit and any other requirements are met. Then at this stage and during the permanent financing stage the guaranties can be reduced to \$500,000 each. Voting aye: Ms. Hamlin, Ms. Corpus, and Mr. Roach. Voting nay: Mr. Underwood and Mr. Young. Motion carried.
- B. Harmony-Shenandoah Valley, LLC - Payment Moratorium. Mark Heede presented to the Board a request for a full payment moratorium of principal and interest until February 2004. On a motion by Joe Underwood, seconded by Bob Young, the Board of Directors unanimously approved this request as presented.
- C. Princeton Homes - Loan Settlement. Mark Heede presented to the Board a request of Investors Preferred Opportunities to purchase the assets of the now defunct Princeton Homes (delinquent borrower under the VSBFA's VEDLF). A condition of their asset purchase is the full release of the two guarantors and former owners of Princeton Homes. Mr. Heede reviewed the background of the loan after its approval and the subsequent problems that led to its current status. On a motion by Joe Underwood, seconded by Esther Corpus, the Board of Directors unanimously voted to defer action on this request to allow more time for staff to gather additional information, esp., stock purchase agreement, conduct lien searches on VSBFA's collateral, better determine what collateral is available, receive copy of the purchase of the BB&T note, and receipt of a written explanation for release of guarantors.

- VI. Ratification of Virginia Capital Access Program Claims - On a motion by Bob Young, seconded by Joe Underwood, the Board of Directors unanimously approved the ratification of the payment of two claims under the Virginia Capital Access Program for the benefit of Branch Banking and Trust (BB&T).

- VII. Consideration to Raise the Housing Allocation Limit on Private Activity Bonds - Scott Parsons reviewed for the Board members VSBFA's process in administering the statewide private activity bonds and the low demand for allocation requests in the past recent years. Mr. Parsons informed the Board of a request he received to increase the limit of the housing allocation from \$7.5MM to \$10MM. Mr. Parsons reported that he then surveyed bond counsels and housing authorities and found that they were also in favor of a limit increase. On a motion by Joe Underwood, seconded by Bob Young, the Board of Directors unanimously approved an increase in the housing allocation limit to \$10MM.

- VIII. Update on Senate Bill 838 - Scott Parsons briefly reviewed for the Board this legislation which will allow VSBFA to become the statewide issuer of private activity bonds for 501 (c) 3 non-profit organizations as well as small manufacturers. The bill is awaiting the Governor's signature.

- IX. Small Business Community Needs Project - Mike Eisenman, deputy director of the Department of Business Assistance, informed the Board of Directors of a new project he will be heading that was generated by Secretary Schewel's office. Mr. Eisenman will co-chair the effort with Deputy Secretary Erskine. This project will determine what the needs of the small business community are and if state support and involvement are reasonable to fulfill those needs. Mr. Eisenman asked the Board for input to help determine the needs of small businesses. The goal is to have a recommendation to the Governor by September 1, 2003.

- X. Adjourn - On a motion by Bob Young, seconded by Joe Underwood, the meeting was adjourned.